THE CAPITAL MARKETS AND SECURITIES (PROSPECTUS REQUIREMENTS) REGULATIONS

ARRANGEMENT OF REGULATIONS

Regulation

Title
PART I
PRELIMINARY PROVISIONS

1. Short title.
2. Interpretation.

PART II
REQUIREMENTS OF PROSPECTUSES

3. Prospectus to contain certain information.
4. Prospectus to comply with direction by authority.
5. Information on prospectus to be submitted to the Authority.

SCHEDULE

THE CAPITAL MARKETS AND SECURITIES (PROSPECTUS REQUIREMENTS) REGULATIONS

G.N. No. 769 of 1997

PART I
PRELIMINARY PROVISIONS (regs 1-2)

1. Short title
   These Regulations may be cited as the Capital Markets and Securities (Prospectus Requirements) Regulations.

2. Interpretation
   In these regulations, unless the context otherwise requires—
   "approval" means approval of a prospectus granted by the Authority in accordance with section 131 of the Act;
   "Schedule" means the Schedule annexed to these Regulations.

PART II
REQUIREMENTS OF PROSPECTUSES (regs 3-4)

3. Prospectus to contain certain information
   Every prospectus submitted to the Authority for approval shall contain information indicated in Parts I and II of the Schedule.

4. Prospectus to comply with direction by authority
   (1) The Authority may after consultation with a person who intends to issue a prospectus direct that the prospectus be amended.
   (2) No prospectus shall be published without compliance with an amendment directed by the Authority under subregulation (1) unless such direction has been withdrawn by the Authority.

5. Information on prospectus to be submitted to the Authority
   A prospectus submitted to the Authority for approval shall be accompanied by the information indicated in Part III of the Schedule.

SCHEDULE

PART I
CERTAIN MATTERS TO BE STATED ON FIRST PAGE OF PROSPECTUS

A prospectus submitted to the Authority for approval shall state in clearly legible and more prominent letters on its first page a section headed "CAUTION" that—
"A copy of this Prospectus has been delivered to the Authority for approval and the Registrar of Companies of registration."
"The securities offered have not been approved or disapproved by the Authority. Prospective investors should carefully consider the matters set forth under the caption 'risk factors'."

PART II
INFORMATION TO BE STATED IN PROSPECTUS
A prospectus submitted to the Authority for approval in accordance with Regulation three shall include the following information:

RIGHTS OF HOLDERS
1. The rights applicable to holders of the shares as regards dividends, capital, pre-emptive rights to subscribe to new issues of shares, redemption (where applicable), voting rights and the creation or issue of further shares of equal priority with the shares.

INFORMATION ON BANKERS
2. The name(s) and business address(es) of the major bank(s) providing services to the issuer as lender, provider of credit facilities, or guarantor of any indebtedness and the name and business address of any registrar appointed by the issuer (to provide services with respect to the issuer).

STATEMENT ON LEGAL STATUS AND AFFAIRS OF ISSUER
3. (1) A brief of the initial organisation of the business, including the form and name under which the initial organisation took place.
   (2) The nature and results of any bankruptcy, receivership or similar proceedings with respect to the issuer.
   (3) The nature and results of any other material reclassification, merger, or consolidation of the issuer or any of its significant subsidiaries.
   (4) The acquisition or disposition of any material amount of assets otherwise than in the ordinary course of business and any material changes in the mode of conducting the business.
   (5) A summary of the material provisions of the articles of association with respect to annual general meetings of shareholders, voting rights of shareholders, the election and removal of directors and the rights of directors to vote on proposals in which they have a personal interest.
   (6) A legal opinion including but not limited to the following—
      (i) whether all licences and consents required to perform the business or proposed business of the issuer have been duly obtained;
      (ii) the validity of evidence of ownership of land, plant and equipment and other important and relevant assets of the issuer;
      (iii) any agreements or contracts with respect to the proposed issue of securities including where applicable but not limited to underwriting contracts, agreements or contracts with any securities exchange, registrar and trustees of bonds, debentures or other credit securities;
      (iv) any material litigation, prosecution or other civil or criminal legal action in which the issuer or any of its directors is involved;
      (v) whether the existing capital of the issuer and any proposed changes thereto is in conformity with applicable laws and has received all necessary authorisations; and
      (vi) any other material items with regard to the legal status of the issuer and the proposed issue.

INFORMATION RELATING TO DIRECTORS
4. (1) A brief account of the business experience during the preceding five years of each director or person nominated to be a director including his principal occupation in any company in which he was employed.
(2) Whether any director, executive officer, person nominated to become a
director or executive officer is or has been involved in any of the following events—
(i) such person or any partnership in which he was a partner or any company of
which he was an executive officer, is or has been the subject of a filing of a
petition under any bankruptcy law;
(ii) such person has been convicted in a criminal proceeding or is a named subject
of a ruling of a court of competent jurisdiction or any governmental body, that
permanently or temporarily prohibited him from acting as an investment adviser
or as a director or employee of a broker or dealer, director or employee of any
financial institution or engaging in any type of business practice or activity.
(3) The number of each class of shares of the issuer held by each director.
(4) Whether any director has the intention to sell any holdings in the same class
of securities to be issued by the issuer in the public distribution within a period of one
year after the conclusion of the public distribution.
(5) Details of any material acquisitions or disposals of share capital of the issuer
by each director within a one year period prior to the public distribution.
(6) Material details of all options to purchase securities of the issuer or any
subsidiary or holding company of the issuer, granted to be purchased or excised by each
director within one year period prior to the public distribution.
(7) Details of any existing contracts between the directors and the issuer.

**CAPITAL ISSUER**

5. (1) The authorised share capital, the amount issued, the amount paid-up and
the description and nominal value of the shares.
(2) Particulars of any capital of the issuer’s subsidiaries which has within two
years immediately preceding the public distribution been issued and fully or partly paid-
up otherwise than in cash and the consideration (if any) for which such capital has been
issued.
(3) Particulars of any capital of the issuer or of any of its subsidiaries, which has
within two years immediately preceding the publication of the prospectus been issued for
cash and the price and terms upon which such capital has been issued and, if not
already fully paid, the dates when any instalments are payable with any amounts of
instalments in arrears.
(4) Any other material alterations in the share capital of the issuer within two
years immediately preceding the public distribution.
(5) All substantial shareholders of the issue together with particulars of their
respective holdings of share capital.
(6) The number of shares to be listed upon the first listing date (if applicable)
following the public distribution, indicating whether the issuer or any substantial
shareholder has the intention to cause additional shares to be listed within a twelve
month period after the initial listing.

**DEBT OF ISSUER**

6. In relation to the issuer and its subsidiaries, any material outstanding
indebtedness, including bank loans, overdrafts, debentures, hire purchase agreements,
mortgages, bank acceptance credits and financial guarantees by the issuer and other
contingent liabilities shall be indicated in the prospectus; and the particulars shall include
the date, maturity and character of such indebtedness, rate of interest, basic repayment
provisions and any provisions which allow for the conversion of such debt into another
class of securities of the issuer.

**LAND AND FIXED ASSETS OF ISSUER AND SUBSIDIARIES**

7. (1) Particulars of the location, area, or tenure (including in the case of
leaseholds the rent and unexpired term) of the factories and main buildings.

(2) Particulars about the primary plant and equipment, including cost, age, model and vendor, indicating whether such plant and equipment is expected to be replaced within two years after the conclusion of the public distribution.

**VALUATION REPORT**

8. A valuation report with respect to the estimated value of the land and property and equipment mentioned in 7 above shall be provided if required to the Authority.

**MATERIAL CONTRACTS**

9. The dates of and parties to all material contracts (not being contracts entered into in the ordinary course of business) entered into within two years immediately preceding the publication of the prospectus together with a summary of the principal contents of each contract including particulars of any consideration passing to or from the issue or any subsidiary shall be indicated in every prospectus.

**RISK FACTORS**

10. In relation to the business of the issuer information should be presented on; any new venture risks, construction risks, licensing risks, potential increased competition, regulation, dependence on key personality, taxation, level of indebtedness, dilution unexpectedness of dividend.

**USE OF PROCEEDS OF THE ISSUE**

11. A statement on the intended use of the net proceedings of the issue including transient use of the proceeds.

**PART III**

**INFORMATION ON PROSPECTUS TO BE SUBMITTED TO THE AUTHORITY**

12. A prospectus submitted to the Authority shall be accompanied by a statement showing the financial performance of the issuer and its subsidiaries during the proceeding five financial years containing a breakdown between the more important business activities together with an explanation of the reasoning for the breakdown including but not limited to the following information—

(a) the principal products produced or services rendered or to be rendered and the principal markets for and methods of distribution of, the principal products and services;

(b) a description of the status of the development of products or service (e.g. whether in the planning stage, whether prototypes exist, the degree to which product design has progressed or whether further engineering is necessary) and whether such development will require substantial investment; and the summary of research and development expenditures for the business should also be provided;

(c) in the case of a manufacturing enterprise, the sources and availability of new materials and the extent of dependence on any single supplier;

(d) the importance to the business activity and the duration and effect of all material patents, trademarks, licences, franchisees, and concessions held;

(e) the extent of dependence of the business activity upon a single customer or group of customers;

(f) the seasonality, if any, of the business activity;

(g) a description of the current level of backlog orders and assignments for the business activity, the development of such orders and assignments over the past year and prospects for such orders or assignments;

(h) the number of persons employed by the issuer in the business activity;

(i) a breakdown of the revenues of the business activity into those that arise from domestic saddles and those that arise from exports of products or services,
which information has to be submitted to the Authority.

13. The directors of the issuer shall furnish to the Authority a statement analysing the financial statements by a professionally qualified accountant included in the prospectus, and of other statistical data, that serves to explain the present and prospective financial conditions of the issuer, and the analysis shall include—

(a) any trends, demands, commitments events or uncertainties known to the directors that shall result in or are reasonably likely to result in material increase or decrease in the issuer's liquidity;

(b) the issuer's material commitments for capital expenditures which indicates the purpose of such commitments, the anticipated source of funds needed to fulfil such commitments, the currency in which such commitments are denominated, and any measures that the issuer plans to take to hedge any resulting foreign currency exposure;

(c) the extent to which the issuer's future operating results or financial condition are exposed to fluctuations in exchange rates or interest rates; information provided should include information on all foreign currency borrowings or commitments denominated in a foreign currency, as well as indebtedness for which the interest rate payable is not fixed in advance;

(d) material product developments, events, trends, competitive conditions expected and uncertainties known to the directors that may cause reported financial information not to be indicative of future operating results or of future financial conditions;

(e) any unusual or infrequent events or transactions or any significant economic changes that affected the amount of reported income for the audited financial statements that appear in the prospectus with emphasis on the latest financial statements included therein and a description of any other significant components of revenues or expenses that in the issuer's judgement should be described in order to understand the issuer's operational results;

(f) to the extent that the financial statements appearing in the prospectus disclose material increases in net sales or revenues, an analysis of the extent to which such increases can be attributed to increases in prices or to increases in the volume or amount of goods or services sold or to the introduction of new products or services;

(g) the impact of inflation and changing prices on the issuer's net sales and revenues and on operating income for the three most recent financial years of the issuer or for such shorter period in which the issuer has been in business;

(h) future prospects of the issuer with respect to cash flow and profits.

14. The issuer shall also provide the following items to the Authority—

(a) a copy of its memorandum and articles of association;

(b) a copy of all required authorisations with respect to paragraph 10 and to the changes in its structure;

(c) where applicable, a copy of proposed underwriting agreements and contracts, proposed agreements with securities exchanges for the listing of the securities to be offered (where appropriate), proposed agreements of contracts with a registrar; and

(d) with respect to the public distribution of debt securities, a copy of the proposed trustee agreement, and a proposed contract with a guarantor (where applicable).